

# Year-end report

## January-December 2017



### Fourth quarter

- > Net sales increased during the fourth quarter by 7 percent to SEK 2,204 M (2,059). Net sales increased by 13 percent in local currencies
- > Operating profit amounted to SEK 206 M (253), which corresponds to an operating margin of 9.3 percent (12.3).
- > Earnings for the period amounted to SEK 132 M (169).
- > Earnings per share amounted to SEK 1.90 (2.43).
- > The board proposes that no dividend shall be declared for the 2017 fiscal year (SEK 0.92).

### January – December

- > Net sales increased during the period by 16 percent to SEK 8,603 M (7,386). Net sales increased by 15 percent in local currencies.
- > Operating profit increased to SEK 1,014 M (885), which corresponds to an operating margin of 11.8 percent (12.0).
- > Earnings for the period amounted to SEK 736 M (639).
- > Earnings per share amounted to SEK 10.59 (9.20).

## President's comments

Continued growth during the quarter, and during the whole of 2017, generated record sales for the full-year. We recorded sales of SEK 2,204 M during the quarter, and of SEK 8,603 M for the full-year. Foreign currency effects only had a limited impact on sales and growth. Extended lead times on the general component market, as reported during the year, is expected to continue into 2018.

During the year, the acquisitions made in 2016 performed well and are now making a strong contribution to our growth. During the fourth quarter, for example, Axis could present the increased integration of 2N, due to the integration of 2N's US-based employees into the Axis American sales organization.

Through the release of the first thermal cameras in AXIS P Line, Axis took a large step towards being able to offer the value that thermal cameras can deliver to a wider range of customers and to more fields of application than before.

Axis growth is also reflected through the increase in the number of employees. At year-end, we had almost 2,900 employees. The largest increase came from recruitments of personnel for the research & development and sales functions. In this context, it is worth mentioning that we strengthened our organization with a vice president for Europe, Middle East and Africa, who will be responsible for leading Axis' expansion in these markets.

We also updated Axis long-term financial goals, which were last revised in 2004, so that they will be more aligned with the development of Axis and our market. Based on our current strategy, our ambition is to achieve annual sales growth of 15 percent with an operating margin that exceeds 10 percent. As we enter 2018, we have a strong basis to continue our profitable growth.



Ray Mauritsson  
President

**About Axis Communications** Axis offers intelligent security solutions that enable a smarter, safer world. As the market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform – delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets. Axis has more than 2,700 dedicated employees in more than 50 countries around the world, supported by a global network of over 90,000 partners. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS. For more information about Axis, please visit our website [www.axis.com](http://www.axis.com).





## Events during the fourth quarter

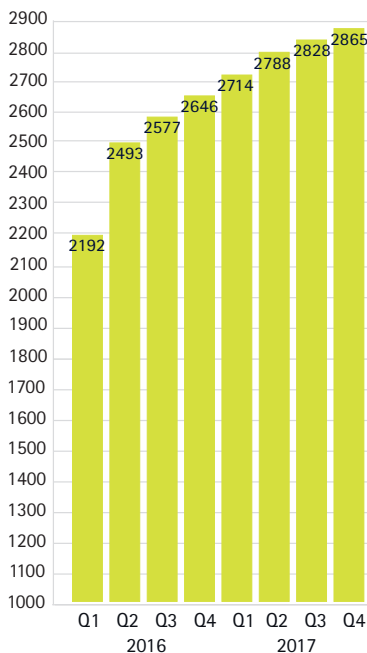
### Continued innovation and development

During the quarter, Axis released the first thermal cameras in its P Line. This means that the benefits of thermal imaging will be available to a broader market, where customers previously could be hesitant to investing in thermal cameras because of financial reasons. The new AXIS P1280-E Thermal Network Camera is an indoor/outdoor camera with a flexible form factor that allows the thermal sensor unit to be placed in locations with limited space. AXIS P1290 is intended for indoor use. Ideal for schools and care homes, thermal cameras allow for intrusion detection and incident identification without compromising individuals' identities.

### Participation at Smart City Expo World Congress

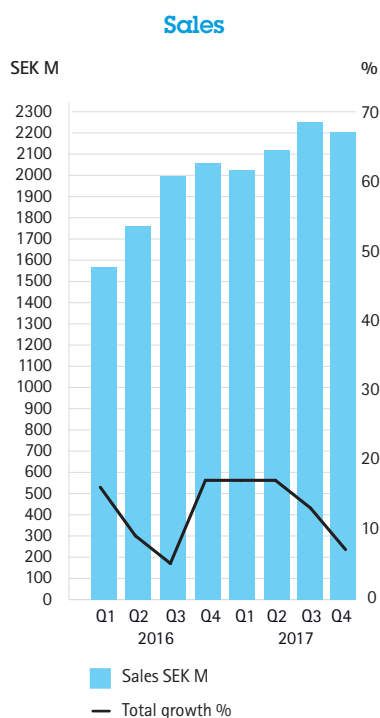
In mid-November, Axis participated in Smart City Expo World Congress in Barcelona. Urbanization is a clear global megatrend. Urbanization poses challenges to citizen's safety and security – and imposes great demands on cities' vital infrastructure. At the exhibition, Axis together with its partners, demonstrated how cameras, sensors and other connected technology can contribute to increased liveability and wellbeing in cities and improve the management of the city's assets e.g. to prevent crime or improve urban traffic flows. Axis solutions are already a natural part of many large cities' efforts to become smarter and safer.

Number of employees



### Updating of long-term financial goals

Axis' goal has always been rapid growth while maintaining sound profitability. In 2004, the goal for Axis long-term sales growth was established at 20 percent, and that the operating margin should be more than 10 percent. Since then, Axis sales have increased, with profitability, more than tenfold from the level in 2004. Meanwhile, the network video market has matured. As a result of this, the board has updated Axis financial goals and the long-term ambition is to maximize annual growth with an operating margin that exceeds 10 percent. The annual ambition for growth is 15 percent.



## Comments on the income statement and balance sheet

### Net sales

#### Fourth quarter

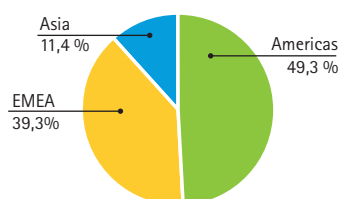
Net sales in the fourth quarter amounted to SEK 2,204 M (2,059), which was an increase of 7 percent. Growth was 13 percent in local currencies. Foreign currency effects impacted sales negatively by SEK 124 M.

Sales in the EMEA region amounted to SEK 866 M (824) during the fourth quarter, corresponding to growth of 5 percent. Growth amounted to 6 percent in local currency. The region displayed a stable performance, with the exception of the Middle East, which was negatively impacted by investment restraint.

Sales in the Americas region amounted to SEK 1,086 M (993) during the fourth quarter, corresponding to growth of 9 percent. Growth amounted to 18 percent in local currency. The Americas region is showing strong growth and is still the largest Axis market.

Sales in the Asia region amounted to SEK 252 M (242) during the fourth quarter, corresponding to growth of 4 percent. Growth amounted to 13 percent in local currency. The region has huge potential and Axis is continuing to strengthen its local presence there.

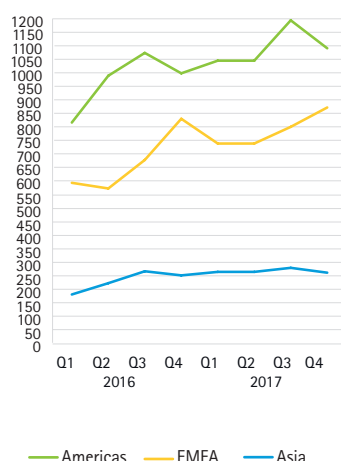
### Invoicing per region Q4 2017



#### Full-year 2017

Net sales in 2017 amounted to SEK 8,603 M (7,386), an increase of 16 percent in Swedish kronor and 15 percent in local currency. Foreign currency effects impacted sales positively during the period by SEK 137 M.

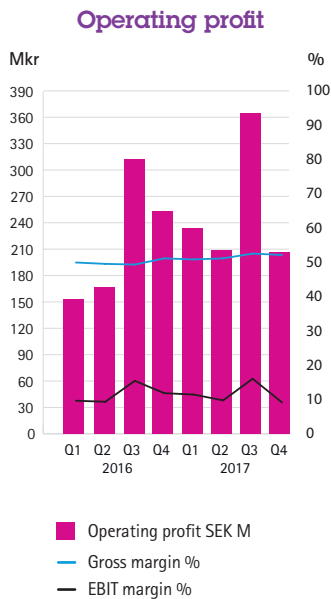
### Sales per region, SEK M



Net sales per product group (SEK M)	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Video	2,058.7	1,941.8	8,074.7	7,067.7
Other	145.3	117.0	527.9	318.0
TOTAL	2,204.0	2,058.8	8,602.6	7,385.7

Net sales per region (SEK M)	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
EMEA	865.8	823.8	3,087.3	2,645.7
Americas	1,086.2	992.7	4,495.4	3,855.7
Asia	252.0	242.3	1,019.9	884.3
TOTAL	2,204.0	2,058.8	8,602.6	7,385.7



## Earnings

### Fourth quarter

Operating profit during the fourth quarter amounted to SEK 206 M (253), which corresponds to an operating margin of 9.3 percent (12.3). Gross margin during the quarter amounted to 52.3 percent (51.3). Profit before tax was SEK 205 M (253). Profit after tax amounted to SEK 132 M (169). Changes in foreign exchange rates impacted operating profit negatively by SEK 16 M, compared to the year-earlier period.

### Full-year 2017

The group's operating profit during the period amounted to SEK 1,014 M (885), which corresponds to an operating margin of 11.8 percent (12.0). Gross margin amounted to 51.8 percent (50.2). Profit before tax was SEK 1,011 M (884) and profit after tax was SEK 736 M (639). Changes in foreign exchange rates impacted operating profit positively by SEK 17 M, compared to the previous year.

Condensed income statement (SEK M)	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Net sales	2,204.0	2,058.8	8,602.6	7,385.7
Gross profit	1,152.0	1 055.9	4,458.8	3,706.8
Gross margin (%)	52.3	51.3	51.8	50.2
Operating profit	205.9	252.9	1,013.9	885.0
Operating margin (%)	9.3	12.3	11.8	12.0
Profit before tax	204.9	252.8	1,011.0	884.2

## Cash flow, investments and financial position

Cash flow from operating activities amounted to SEK 1,364 M (721) for the full-year 2017. Net investments totaled SEK 531 M (832), of which acquisitions amounted to SEK 0 M (600) and capitalized development expenses amounted to SEK 79 M (77). Axis had SEK 1,538 M (858) in cash and cash equivalents at the end of the period.

## Equity

Consolidated equity amounted to SEK 3,076 M (2,352). The total number of shares at year-end was 69,461,250 (69,461,250). Axis has no outstanding stock option programs. The group's equity/assets ratio was 61.4 percent (58.7) at December 31, 2017.

## Parent Company

The parent company's operations are primarily focused on company-wide administration. The parent company has no employees. During the period, sales amounted to SEK 131 M (119) and operating profit amounted to SEK 63 M (58). Cash and cash equivalents at the end of the period amounted to SEK 959 M (312) and borrowing was SEK 0 M (0). Investments in the parent company amounted to SEK 8 M (68) during the period.

## Outlook

The market activity and inflow of new projects means that Axis' view on the current market growth rate remains unchanged. It should be noted that Axis' long-term financial goals, formulated in 2004, have been updated according to the separate description under "Events during the fourth quarter". An important factor for continued strong growth is increased penetration in installations for smaller systems and in emerging markets. In order to meet market demand and retain its position as the market-leading supplier of network video solutions, Axis will continue to develop and release a large number of innovative products, refine the partner network, recruit more employees and continue to expand globally.



## Other

### Risks and uncertainties

Axis operations are subject to a number of risks and uncertainties, which are described in the 2016 Annual Report. No new material risks have arisen during 2017.

### Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The accounting and valuation principles and judgement criteria applied in the 2016 Annual Report have also been used in preparing this interim report. No new or revised IFRS standards, which became effective in 2017, have had any material impact on the group. The parent company's financial statements have been prepared according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

During the year, Axis has continued the work on evaluating the effect of the implementation of IFRS 9, IFRS 15 and IFRS 16. Axis' final assessment is that IFRS 15 will not have any material impact on the consolidated income statement. A company can choose between "full retroactivity" or to apply the standard prospectively with further disclosures. The group will use a prospective application approach. In the case of IFRS 9, the final assessment is that the new standard will not have any material impact on either the group's classification and measurement of financial instruments or on the group's hedge accounting. The new model for calculating credit loss reserves is based on expected credit losses instead of confirmed losses. Axis will apply the simplified method, which will entail previous recognition of credit losses, but the effect is expected to be low since the group historically have had non-existent credit losses. The introduction of IFRS 16 will have an effect on the group's financial reporting, but the extent has not yet been evaluated.

### Annual General Meeting

Axis Annual General Meeting will be held at 3.00 p.m. on Wednesday, April 18, 2018 at the company's premises at Emdalavägen 14, Lund.

### The Axis share

The company's share is listed on Nasdaq Stockholm in the Large Cap segment, under the ticker AXIS. Axis' share had a turnover during the period January–December 2017, of 178,717 shares, which gave an average turnover of 721 shares per trading day, with a value of SEK 246,608. The average price of the share during the period was SEK 345.

### Dividend

Axis majority owner, Canon Inc., has informed the company's board of directors that Canon Inc., at the 2018 Annual General Meeting (AGM), will vote that no dividend should be paid to the shareholders. In light of this information, the Axis board of directors and President have decided not to propose any dividend at the 2018 AGM and that the earnings at the disposal of the AGM shall be carried forward.

### Reporting dates

Axis will report on the following dates during the 2018 fiscal year:

Interim report, January–March: April 19

Interim report, January–June: July 12

Interim report, January–September: October 18

Lund, January 26, 2018

Ray Mauritsson  
*President*

### Audit

The company's auditors did not perform a review of the report for the period January 1 to December 31, 2017.

## Consolidated comprehensive income

(SEK M)	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Net sales	2,204.0	2,058.8	8,602.6	7,385.7
Cost of goods and services sold	-1,052.0	-1,002.9	-4,143.8	-3,678.9
<b>Gross profit</b>	<b>1,152.0</b>	<b>1,055.9</b>	<b>4,458.8</b>	<b>3,706.8</b>
Other income and changes in value	8.6	17.5	-59.7	63.5
Selling and marketing expenses	-432.4	-381.9	-1,547.1	-1,353.0
Administrative expenses	-97.9	-85.6	-351.7	-298.9
Research and development expenses	-424.4	-353.0	-1,486.4	-1,233.4
<b>Operating profit *</b>	<b>205.9</b>	<b>252.9</b>	<b>1,013.9</b>	<b>885.0</b>
Net financial items	-1.0	-0.1	-2.9	-0.8
<b>Profit before tax</b>	<b>204.9</b>	<b>252.8</b>	<b>1,011.0</b>	<b>884.2</b>
Tax	-73.2	-83.7	-275.2	-245.5
<b>Net profit for the period</b>	<b>131.7</b>	<b>169.1</b>	<b>735.8</b>	<b>638.7</b>
Other comprehensive income				
Other comprehensive income items that later may be transferred to the income statement				
Exchange differences	31.0	-5.1	51.3	16.6
<b>Other comprehensive income for the period, net after tax</b>	<b>31.0</b>	<b>-5.1</b>	<b>51.3</b>	<b>16.6</b>
<b>Total comprehensive income for the period</b>	<b>162.7</b>	<b>164.0</b>	<b>787.1</b>	<b>655.3</b>
Total comprehensive income attributable to: the parent company's shareholders	162.7	164.0	787.1	655.3
Earnings per share for the period, SEK	1.90	2.43	10.59	9.20
Number of shares, average, thousands	69,461	69,461	69,461	69,461

\*Net effects of changes in exchange rates in underlying receivables and liabilities in foreign currencies have impacted operating profit positively by SEK 12 M (positively by SEK 17 M) in the fourth quarter and negatively by SEK 61 M (positively by SEK 61 M) for the full-year 2017.

## Consolidated balance sheet, condensed

(SEK M)	2017-12-31	2016-12-31
Non-current assets	1,562.1	1,167.9
Inventories	803.3	1,106.5
Trade receivables*	780.7	656.5
Others receivables	239.2	220.1
Short-term investments	89.2	0.0
Cash and cash equivalents	1,537.5	858.3
<b>Total</b>	<b>5,012.0</b>	<b>4,009.4</b>
Equity	3,075.5	2,352.3
Non-current liabilities	357.7	391.0
Trade payables	633.2	621.3
Other current liabilities	945.6	644.8
<b>Total</b>	<b>5,012.0</b>	<b>4,009.4</b>

\*This item includes receivables from contract manufacturers of SEK 13 M (SEK 2 M).

## Equity

Consolidated equity, condensed (SEK M)	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Opening balance at Jan 1, 2016	0.7	279.2	-1.8	1,463.4	1,741.5
Total comprehensive income for the period	-	-	16.6	638.6	655.3
Dividend	-	-	-	-44.5	-44.5
<b>Closing balance at Dec 31, 2016</b>	<b>0.7</b>	<b>279.2</b>	<b>14.8</b>	<b>2,057.6</b>	<b>2,352.3</b>
Opening balance at Jan 1, 2017	0.7	279.2	14.8	2,057.6	2,352.3
Total comprehensive income for the period	-	-	51.3	735.8	787.1
Dividend	-	-	-	-63.9	-63.9
<b>Closing balance at Dec 31, 2017</b>	<b>0.7</b>	<b>279.2</b>	<b>66.1</b>	<b>2,729.5</b>	<b>3,075.5</b>

## Consolidated statement of cash flows, condensed

(SEK M)	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Cash flow from operating activities before change in working capital	122.1	261.7	983.7	772.1
Change in working capital	122.4	-0.2	380.3	-50.7
Cash flow from operating activities	244.5	261.5	1,364.0	721.4
Cash flow from investing activities	-174.0	-76.0	-530.5	-831.6
Cash flow from financing activities	-89.5	-0.4	-154.3	-47.2
<b>Cash flow during the period</b>	<b>-19.0</b>	<b>185.1</b>	<b>679.2</b>	<b>-157.4</b>
Cash and cash equivalents at the start of the period	1,556.6	673.2	858.3	1,015.8
Cash and cash equivalents at the end of the period	1,537.5	858.3	1,537.5	858.3

## Key ratios (see note 2)

	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
Net sales growth (%)	7.1	17.1	16.5	11.3
Gross margin (%)	52.3	51.3	51.8	50.2
Operating margin (%)	9.3	12.3	11.8	12.0
Profit margin (%)	9.3	12.3	11.8	12.0
Depreciation/amortization (SEK M)*	175.9	135.8	175.9	135.8
Equity (SEK M)	3,075	2,352	3,075	2,352
Equity/assets ratio (%)	61.4	58.7	61.4	58.7
Total assets (SEK M) *	5,012	4,009	5,012	4,009
Interest-bearing liabilities (SEK M)	2	3	2	3
Net receivables, (SEK M)	1,535	855	1,535	855
Capital employed (SEK M)	3,078	2,355	3,078	2,355
Return on capital employed (%)*	37.4	43.3	37.4	43.3
Return on equity (%)*	29.1	33.7	29.1	33.7
Number of employees (average for the period)	2,856	2,631	2,783	2,414
Sales per employee (SEK M)*	3.0	2.8	3.1	3.1
Operating profit per employee (SEK M)*	0.4	0.3	0.4	0.4

\*Key ratios have been recalculated to rolling 12-month values where appropriate.

## Per-share data

	Dec 31, 2017	Dec 31, 2016
Share price at end of the period, SEK	339.90	340.60
Dividend, SEK	0.92	0.64
P/E ratio*	32	37
Earnings per share, SEK	10.59	9.20
Number of shares, average, thousands	69,461	69,461
Number of outstanding shares, thousands	69,461	69,461

\*The PE ratio has been recalculated to rolling 12-month values.



### Quarterly data

Net sales per product group (SEK M)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Video	1,347.5	1,607.6	1,885.5	1,738.8	1,546.9	1,714.9	1,864.1	1,941.8	1,901.4	1,998.1	2,116.5	2,058.7
Other	6.8	8.7	20.2	19.6	20.1	47.8	133.1	117.0	125.3	120.7	136.6	145.3
<b>TOTAL</b>	<b>1,354.3</b>	<b>1,616.3</b>	<b>1,905.7</b>	<b>1,758.4</b>	<b>1,567.0</b>	<b>1,762.7</b>	<b>1,997.2</b>	<b>2,058.8</b>	<b>2,026.7</b>	<b>2,118.8</b>	<b>2,253.1</b>	<b>2,204.0</b>

Net sales per region (SEK M)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
EMEA	470.4	554.2	602.2	739.5	585.7	565.2	671.0	823.8	732.4	695.6	793.6	865.8
Americas	713.0	859.9	1,084.8	832.0	810.0	984.1	1,068.9	992.7	1,039.7	1,179.7	1,189.7	1,086.2
Asia	170.9	202.2	218.7	186.9	171.3	213.4	257.3	242.3	254.6	243.5	269.8	252.0
<b>TOTAL</b>	<b>1,354.3</b>	<b>1,616.3</b>	<b>1,905.7</b>	<b>1,758.4</b>	<b>1,567.0</b>	<b>1,762.7</b>	<b>1,997.2</b>	<b>2,058.8</b>	<b>2,026.7</b>	<b>2,118.8</b>	<b>2,253.1</b>	<b>2,204.0</b>

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Net sales growth (%)	19.9	19.3	30.3	16.9	15.7	9.1	4.8	17.1	15.0	20.2	12.8	7.1
Gross profit (SEK M)	710.1	821.7	973.6	867.1	785.5	876.0	989.4	1,055.9	1,034.0	1,086.5	1,186.3	1,152.0
Gross margin (%)	52.4	50.8	51.1	49.3	50.1	49.7	49.5	51.3	51.0	51.3	52.7	52.3
Operating profit (SEK M)	144.8	116.5	388.7	231.2	153.1	166.8	312.2	252.9	234.3	209.0	364.7	205.9
Operating margin (%)	10.7	7.2	20.4	13.1	9.8	9.5	15.6	12.3	11.6	9.9	16.2	9.3

### Parent company income statement

(SEK M)	Full-year 2017	Full-year 2016
Net sales	131.3	118.6
Gross profit	131.3	118.6
Administrative expenses	-68.6	-60.6
Operating profit	62.7	58.0
Financial income	31.8	0.9
Financial expenses	-5.5	-29.0
Profit/loss after financial items	89.0	29.9
Appropriations	904.5	542.2
Tax	-219.3	-126.7
Net profit for the period	774.2	445.4

### Parent company balance sheet, condensed

(SEK M)	Dec 31, 2017	Dec 31, 2016
Non-current assets	119.4	71.4
Current receivables from group companies	1,695.5	1,902.7
Trade receivables and other receivables	2.4	1.3
Short-term investments	89.3	0.0
Cash and cash equivalents	959.3	312.1
<b>Total</b>	<b>2,865.9</b>	<b>2,287.5</b>
Equity	1,987.7	1,277.5
Untaxed reserves	777.9	976.0
Liabilities to group companies	3.3	2.3
Current liabilities	97.0	31.7
<b>Total</b>	<b>2,865.9</b>	<b>2,287.5</b>



## NOTE 1 Acquisitions

The significant business acquisitions completed by the group during 2016 are shown below.

### 1.1 Citilog SA

On January 31, 2016, Axis Communications AB acquired 100 percent of the shares in Citilog SA, a leading provider of video monitoring solutions for the transportation sector. The acquisition broadens Axis' product portfolio with reliable video analytics tools for transportation monitoring. The group can thus offer a more comprehensive traffic solution, generating increased opportunities in the fast-growing traffic analytics market.

At the time of the acquisition, Citilog had 29 employees. For the fiscal year ended on March 31, 2016, Citilog's sales amounted to about SEK 50 M.

Citilog's results and assets and liabilities are consolidated from January 31, 2016. The acquisition impacted consolidated sales by SEK 51 M and operating profit by SEK 1 M during 2016. Expenses in connection with the acquisition of SEK 3.9 M were charged to earnings during 2016.

The purchase price amounted to SEK 91.1 M and was paid in cash. The goodwill arising through the acquisition is related to Citilog's strong position in the market. No portion of the acquired goodwill is expected to be deductible for tax purposes.

Purchase price analysis	SEK M
Impact on cash and cash equivalents	
Purchase price	91.1
Less: acquired cash balances	-28.0
Impact on cash and cash equivalents	63.1
Fair value of identifiable assets and liabilities in Citilog on the acquisition date	
Non-current assets	49.3
Inventories	4.1
Trade receivables	16.4
Other receivables	4.0
Cash and cash equivalents	28.0
Total assets	101.8
Non-current liabilities	15.3
Trade payables	3.9
Other current liabilities	8.3
Total liabilities	27.5
Total identifiable net assets at fair value	74.3
Goodwill	16.8
Purchase price	91.1

### 1.2 Axis Stockholmsledet 11 AB

On February 3, Axis AB acquired 100% of the shares in the property company Axis Stockholmsledet 11 AB (formerly Sagax Stockholm 11 AB). The exclusive aim of the acquisition was to acquire land for construction of a new headquarters in Lund. The new headquarters will be located adjacent to Axis' current premises.

The purchase price amounted to SEK 38.6 M. In connection with the acquisition, the company's debt of SEK 27.0 M was amortized. Expenses in connection with the acquisition of SEK 0.3 M were charged to earnings during 2016.

Purchase price analysis	SEK M
Impact on cash and cash equivalents	
Purchase price	38.6
Plus: amortization of loan	27.0
Less: acquired cash balances	-0.1
Impact on cash and cash equivalents	65.5
Fair value of identifiable assets and liabilities in Axis Stockholmsledet 11 on the acquisition date	
Non-current assets	65.5
Cash and cash equivalents	0.1
Total assets	65.6
Non-current liabilities	27.0
Total liabilities	27.0
Total identifiable net assets at fair value	38.6
Purchase price	38.6

### 1.3 2N Telekomunikace a.s.

On May 30, 2016, Axis Beta AB acquired 100 percent of the shares in 2N TELEKOMUNIKACE a.s. and 2N USA LLC. 2N is a leading player in the IP intercom field and is also active in other areas such as IP audio and communication solutions for lifts. The company has well-established sales channels, through electricians and telecom installers as well as lift manufacturers, which will complement Axis' present global sales channels. Together with 2N, Axis can meet the increased demand for integrated intercom solutions based on open standards that deliver increased security. An important shared mission is to accelerate the shift from analog to IP-based intercom systems and to develop new opportunities. The market is growing and Axis can continue to drive the market trend through this acquisition.

At the time of the acquisition, 2N had 197 employees. In 2015, the 2N companies' sales amounted to just over SEK 200 M.

2N's results and assets and liabilities are consolidated from May 30, 2016. The acquisition impacted consolidated sales by SEK 165 M and operating profit by SEK 5 M during 2016. Expenses in connection with the acquisition of SEK 4.2 M were charged to earnings during 2016.

The purchase price amounted to SEK 475.9 M, of which SEK 437.8 M was paid in cash on the acquisition date. The remainder of the purchase price will be settled in two parts, of which the first half shall be paid 12 months after the acquisition date and the other half 24 months after the acquisition date. The goodwill arising through the acquisition is related to 2N's strong position in the market. No portion of the acquired goodwill is expected to be deductible for tax purposes.

Purchase price analysis	SEK M
<b>Impact on cash and cash equivalents</b>	
Initial purchase price	437.8
Less: acquired cash balances	-20.5
<b>Impact on cash and cash equivalents</b>	<b>417.3</b>
<b>Fair value of identifiable assets and liabilities in 2N on the acquisition date</b>	
Non-current assets	158.3
Inventories	54.7
Trade receivables	40.1
Other receivables	4.8
Cash and cash equivalents	20.5
<b>Total assets</b>	<b>278.4</b>
Deferred tax liabilities	27.5
Trade payables	29.3
Other current liabilities	18.1
<b>Total liabilities</b>	<b>74.9</b>
<b>Total identifiable net assets at fair value</b>	<b>203.5</b>
Goodwill	272.4
<b>Purchase price</b>	<b>475.9</b>

## NOTE 2 Key ratios

### 2.1 Definitions

#### Return on equity

Profit after financial items less full tax divided by average equity.

#### Return on capital employed

Profit after financial items plus financial expenses divided by average capital employed.

#### Gross margin

Gross profit as a percentage of net sales.

#### Net receivables

Net interest-bearing receivables and liabilities.

#### Sales per employee

Net sales divided by the average number of employees.

#### P/E ratio

Share price divided by earnings per share.

#### Earnings per share

Net profit for the year divided by the average number of shares.

#### Operating margin

Operating profit as a percentage of net sales.

#### Operating profit per employee

Operating profit divided by the average number of employees.

#### Equity/assets ratio

Equity as a percentage of total assets.

#### Capital employed

Total assets less non interest-bearing liabilities including deferred tax liability.

#### Profit margin

Profit before tax as a percentage of net sales.

### 2.2 Aim

#### Return on equity

The key ratio shows the operation's return on the equity contributed by the shareholders and is thus a measurement of how profitable the group is. Investors can compare this metric with current bank interest or returns from alternative investments. The metric can also be used to compare profitability between companies in the same industry.

#### Return on capital employed

The key ratio shows the operation's return on the equity that the shareholders and lenders have made available. The metric thus shows the group's return, independent of financing choice, and can be used in connection with investment evaluations.

#### Net receivables

The key ratio is useful for users of financial statements as a complement to evaluate the possibility of dividends and strategic investments and also to evaluate the group's potential to meet its financial obligations.

#### Sales per employee

The key ratio shows users of financial statements how effectively the company's employees contribute to sales.

#### P/E ratio

The P/E ratio gives an indication of how long it will take before investors get back their money, provided that profits remain unchanged.

#### Operating profit per employee

The key ratio is used to show how each employee contributes to the group's operating profit.

#### Equity/assets ratio

The key ratio shows how large a proportion of the assets are financed with equity. The metric can be of interest when evaluating the group's solvency in the longer term.

## 2.3 Reconciliation with financial statements according to IFRS

	Q4 2017	Q4 2016	Full-year 2017	Full-year 2016
<b>Return on equity</b>				
Profit after financial items R12	1,011	884	1,011	884
Full tax	-222	-195	-222	-195
Profit after financial items R12 less full tax	789	690	789	690
Average equity	2,714	2,047	2,714	2,047
	29.1%	33.7%	29.1%	33.7%
<b>Return on capital employed</b>				
Profit after financial items R12	1,011	884	1,011	884
Financial expenses R12	-6	-3	-6	-3
Profit after financial items R12 plus financial expenses	1,017	887	1,017	887
Average capital employed	2,716	2,049	2,716	2,049
	37.4%	43.3%	37.4%	43.3%
<b>Net receivables</b>				
Cash and cash equivalents	1,537	858	1,537	858
Interest-bearing liabilities	-2	-3	-2	-3
	1,535	855	1,535	855
<b>Sales per employee</b>				
Net sales R12	8,603	7,386	8,603	7,386
Average number of employees	2,856	2,631	2,783	2,414
	3.0	2.8	3.1	3.1
<b>P/E ratio</b>				
Share price at end of the period	339.90	340.60	339.90	340.60
Earnings per share R12	10.59	9.20	10.59	9.20
	32	37	32	37
<b>Operating profit per employee</b>				
Operating profit R12	1,014	885	1,014	885
Average number of employees	2,856	2,631	2,783	2,414
	0.4	0.3	0.4	0.4
<b>Equity/assets ratio</b>				
Equity	3,075	2,352	3,075	2,352
Total assets	5,012	4,009	5,012	4,009
	61.4%	58.7%	61.4%	58.7%

Some of the key ratios such as gross margin, earnings per share, operating margin and profit margin may be easily calculated from the financial statements. Thus these metrics are regarded as reconciled and are not presented above.

## For further information please contact:

Björn Hallerborn, PR & Corporate Communications Manager

E-mail: [pressoffice@axis.com](mailto:pressoffice@axis.com)

Tel: +46 46 272 18 00

---



Axis AB (publ)

Corporate identity no: 556241-1065

Emdalavägen 14, 223 69 Lund, Sweden

Tel: 046 272 18 00

[www.axis.com](http://www.axis.com)

---

This report contains future-oriented information that is based on the present expectations of Axis' Management. Even if the Management believes that the expectations reflected in such future-oriented information are reasonable, no assurance may be given that these expectations will prove to be correct. Consequently, actual future outcomes may deviate significantly from what is reflected in the future-oriented information due to changed conditions relating to the economy, market and competition, changes in legal requirements and other political measures, fluctuations in exchange rates and other factors.

This information is information that Axis AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on January 26, 2018.